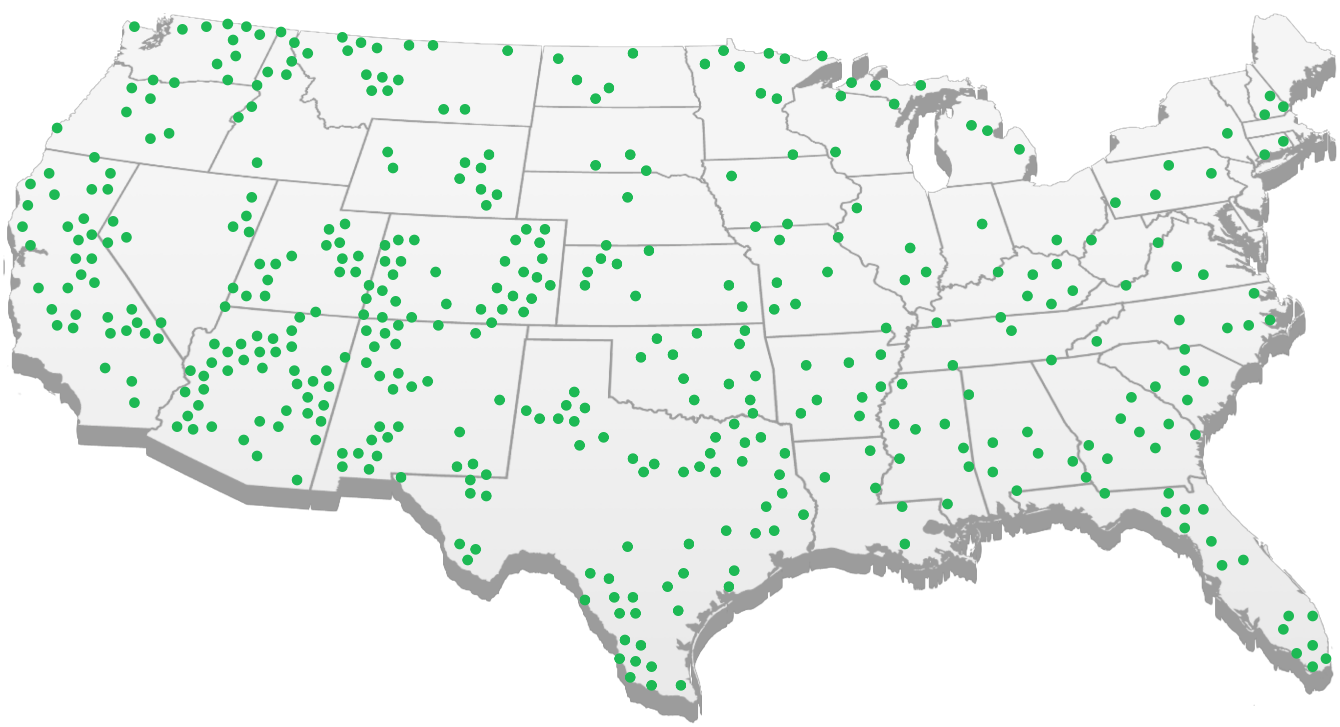
CADRE

Cadre Opportunity Zones

Opportunity Zones is a social impact program providing material tax benefits to incentivize investment within underserved communities across the U.S. The program was established as part of the Tax Cut and Jobs Act of 2017.



Cadre has developed a focused strategy and pipeline of transactions with leading operators. In doing so, we seek to deliver investors an attractive portfolio of qualifying Opportunity Zones investments.

Opportunity Zones Overview

With U.S. investors currently holding over $6.1 trillion in unrealized capital gains,[1] the Opportunity Zones program creates an attractive incentive to deploy these gains as a force for community reinvestment and economic growth.

What is an Opportunity Zone ("O-Zone")?

Introduced by the Tax Cut and Jobs Act of 2017, "Opportunity Zones" are low-income census tracts designated by state and federal government. Qualifying investments in these tracts, which must be made through existing capital gains, are eligible for preferential tax treatment. Examples include both rural communities and burgeoning lower-income urban communities like the Arts District in LA.

What is an Opportunity Fund ("O-Fund")?

An investment vehicle that invests at least 90% of its assets in qualified Opportunity Zones. Investors that reinvest capital gains into an O-Fund can receive meaningful tax breaks including capital gains deferral, a substantial step up in tax basis, and tax abatement of all post-investment appreciation. Unlike the 1031 exchange program that has long been used to defer real estate-related taxable gains, eligible capital gains are not limited to real estate and can include gains from stocks and business or personal assets.

What types of investments can be made through an Opportunity Fund?

Investments are required to be equity investments in businesses or real estate within an Opportunity Zone. Real estate investments are subject to a "substantial improvement"[2] requirement within 30 months of the purchase date. As a result, O-Funds are intended to target development and rehabilitation projects. For example, an O-Fund could invest in a ground-up development of a mixed-use project that includes new retail and workforce housing.

(1) Source: Economic Innovation Group

(2) To satisfy the "substantial improvement" requirement, a Qualified O-Fund must double its investment (basis) "with respect to" the property during any 30-month period after acquisition.

Tax Benefits

The Opportunity Zones program incentivizes long-term investment by phasing in the following tax benefits over a ten-year period:

Defer

Taxes on capital gains until December 31, 2026

Reduce

Amount of deferred taxes owed by up to 15%

Eliminate

Tax on capital gains from the O-Fund investment if held for 10 years

Impact of Hold Period[1]

INVESTMENT PERIOD	DEFER CAPITAL GAINS	REDUCE TAXES BY 10%	REDUCE TAXES BY ADDITIONAL 5%	ELIMINATE O-FUND CAPITAL GAINS
0 - 5 Years	✓			
5 - 7 Years	✓	✓		
7 - 10 Years	✓	✓	✓	
10 Years +	✓	✓	✓	✓

(1) Given taxes are deferred until December 31, 2026, investments must be made by the end of 2019 to receive the 15% reduction and 2021 to receive the 10% reduction. Both deferral and future elimination remain after these respective dates.

Quantifying the Tax Benefits

Due to the outsized benefit of eliminating O-Fund capital gains after a ten year hold, investors should target assets poised for long-term capital appreciation. Holding an O-Fund investment for ten years is estimated to generate **300-400 bps higher after-tax returns and 2x the profits** compared to a standard taxable portfolio appreciating at the same rate.

Scaling of Tax Benefits[1]

STANDARD PORTFOLIO O-FUND

Assumes an initial pre-tax gain to invest of $1mm

Eliminating capital gains on O-Fund profits means substantial excess return compared to a standard portfolio. However, the underlying real estate investment must be profitable in order to fully realize this benefit.

10-Year After-Tax Return Comparison

APPRECIATION RATE	AFTER-TAX IRR		AFTER-TAX MULTIPLE		AFTER-TAX PROFITS	
	STANDARD	O-FUND	STANDARD	O-FUND	STANDARD	O-FUND
7.0%	2.8%	5.6%	1.3X	1.6X	$324,000	$765,000
10.0%	5.4%	8.8%	1.7X	2.2X	$687,000	$1,391,000
12.0%	7.1%	11.0%	2.0X	2.6X	$985,000	$1,904,000

(1) Assumes long-term capital gains tax of 23.8% (federal capital gains tax of 20% and net investment income tax of 3.8%), no state income tax and annual appreciation of 7% for both the standard portfolio and the Opportunity Fund Investment.

Illustrative Investment Timeline

$1mm Investment / Ten-Year Hold[1]

1

JAN 1, 2019

Liquidation

Taxpayer generates a capital gain of $1mm and is eligible for tax benefits if the gain is reinvested into an O-Fund within 180 days.

2

MAY 31, 2019

Investment + Deferral

Taxpayer invests the $1mm gain into a qualified O-Fund and defers $240k of tax liability until the earlier of (i) the investment sale date or (ii) December 31, 2026.

3

MAY 31, 2024

Year 5 Tax Reduction

Deferred capital gains tax reduced by 10%. $240k tax liability is reduced to $215k.

4

MAY 31, 2026

Year 7 Tax Reduction

Deferred capital gains tax reduced by an additional 5%. $240k tax liability is reduced to $200k.

5

DEC 31, 2026

Tax Recognition Date

Given the asset has not yet been sold, taxpayer must pay the $200k deferred capital gain tax liability.

6

MAY 31, 2029

Disposition + Elimination

Taxpayer's $1mm O-Fund investment has appreciated 7% annually since 2019 and is sold for $2mm. Since the asset has been held for 10 years, taxes on the $1mm of O-Fund capital gains are eliminated, **generating 2x the after-tax profits of a standard portfolio**

(1) Assumes long-term capital gains tax of 23.8% (federal capital gains tax of 20% and net investment income tax of 3.8%), no state income tax and annual appreciation of 7% for both the standard portfolio and the Opportunity Fund Investment.

The Cadre Advantage:
A Differentiated Approach

We are uniquely positioned to offer a differentiated Opportunity Zone program because the optimal O-Zone investment strategy and deal structure align with our existing investment approach.

Our Value Proposition

- ### Efficient Diversification

  Access a series of O-Zone opportunities with data-driven diversification across select markets and alongside experienced operating partners. We seek to avoid the risks associated with single asset, market, or developer strategies.

- ### Experienced Investment Team

  While the program's tax benefits are highly attractive, investments must be grounded in the merits of the real estate. The Cadre team brings over $50 billion of collective transaction experience at top tier investment firms, including ~$10bn of development experience across the U.S. We co-invest in each opportunity alongside our investors and actively manage all of our assets.

- ### High-Quality Operator and Developer Network

  We have developed a pipeline of actionable opportunities within our target O-Zone markets, driven by our network of over 300 local operating partners. These relationships provide us with a unique sourcing advantage across O-Zones, as well as local market development and repositioning expertise.

- ### Unique Single-Asset Fund Structure

  Since inception, we've focused exclusively on structuring single-asset funds, which we believe is the optimal structure for Opportunity Zones investing. Leading law firms have noted that "a traditional [commingled] fund structure with multiple properties is not a straightforward fit for the OZ Program"[1] and that instead, fund managers "may wish to create a separate fund for each property."[2]

(1) Source: Duval & Stachenfeld LLP, October 25, 2018
(2) Source: Stroock & Stroock & Lavan LLP, August 28, 2018

Cadre Approach

The economic disparity between O-Zones and other areas highlights the need for a targeted approach to market selection. By assessing population and income potential at the census tract level, we are able to rank O-Zones according to their growth prospects.

Summary Comparison: O-Zones vs. Non O-Zones[1]

	O-ZONES	NON O-ZONES
% of U.S. Population	11%	89%
% In Rural Areas	22%	16%
Avg. Household Income	$49,176	$82,994
Homeownership Rate	47%	66%
Avg. Home Value	$240,713	$390,394

Scoring O-Zones

- We apply a scoring system for each O-Zone census tract using the below forward-looking metrics:
  - 5 and 10-year population growth.
  - 5-year household income growth: overall and prime earning age cohort (25-44 yr olds)
- We then rank metro areas with the largest concentration of high scoring O-Zone census tracts (weighted by population).
- We target a subset of the highest scoring markets where we believe our operating partner network is likely to surface actionable opportunities.

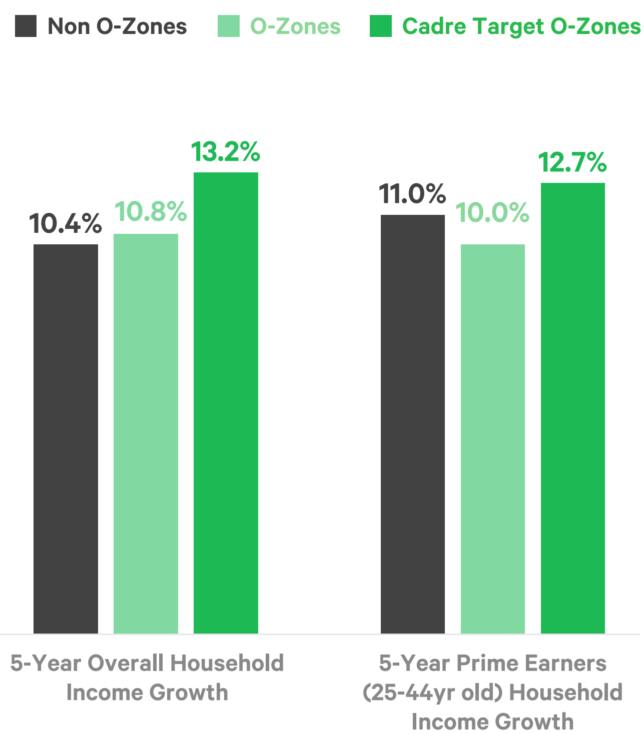
(1) Sources: U.S. Census, STI Popstats

Data-Driven Market Selection

There are over 8,700 census tracts designated as Qualified Opportunity Zones. We believe our data-driven investing approach allows us to seek neighborhoods that are capital-deprived today, but where investments can help drive future growth.

- Projected population growth for these target O-Zones is **2x the average for all O-Zones** and **110 bps higher than Non O-Zones over the next 10 yrs**
- Annual household income growth for target O-Zones is projected to be **240 bps above the average for all O-Zones** and **280 bps higher than Non O-Zones over the next 5 yrs**
- We further evaluate a broader set of supply & demand variables within these target markets to assess specific opportunities.

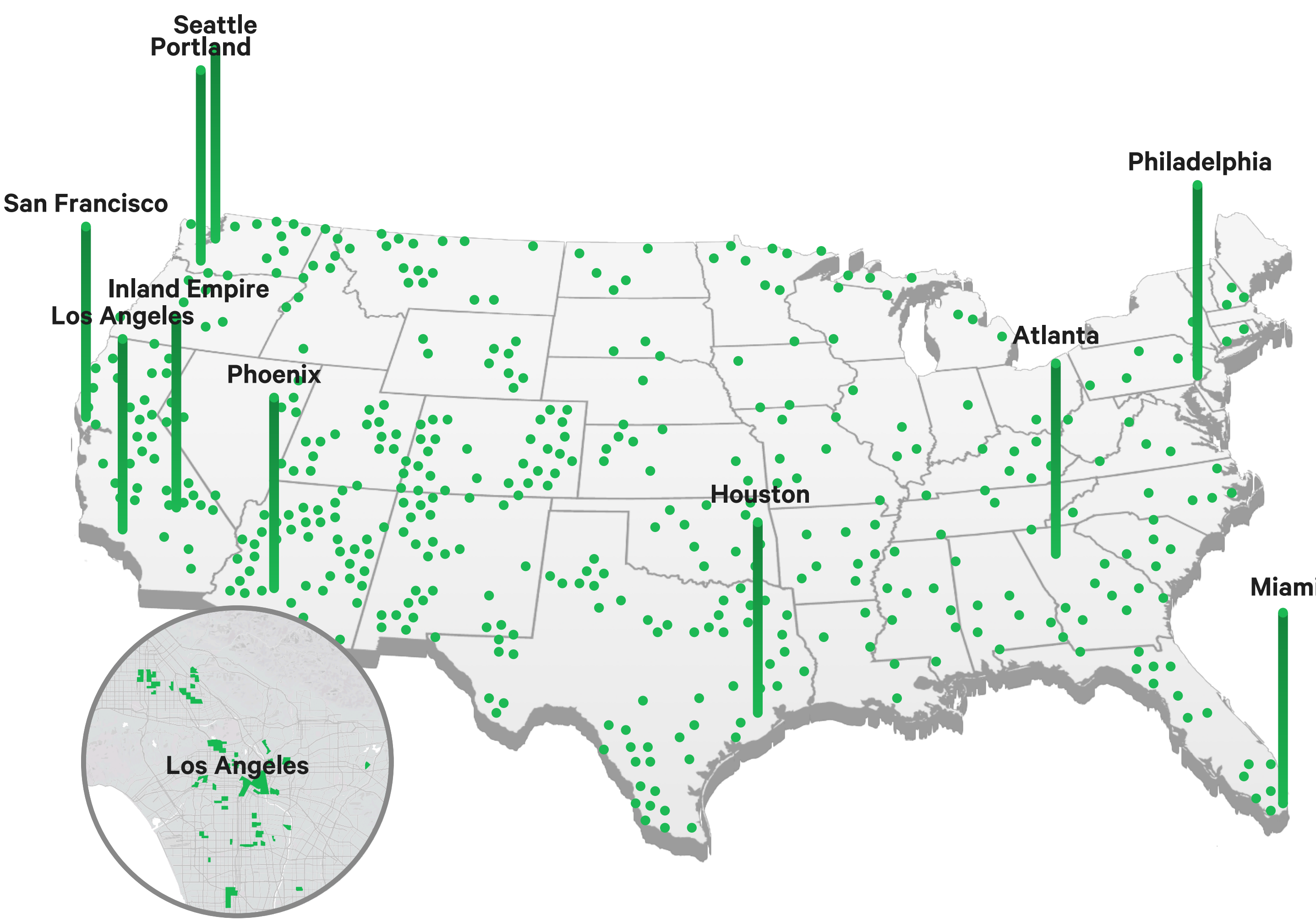
Forecast Growth Comparison[1]



(1) Sources: U.S. Census, STI Popstats

Cadre Target O-Zones

- **Top 10 target O-Zone markets:** Houston, Phoenix, San Francisco, Atlanta, Miami, Los Angeles, Inland Empire, Portland, Seattle, and Philadelphia.
- We supplement our top-down, data-driven market analysis with a bottoms-up, relationship-driven sourcing effort to identify attractive opportunities within each market.
- Target diversification across property types with a focus on multifamily, mixed-use and industrial opportunities.
- The current pipeline includes a number of near-term, actionable opportunities within target markets that Cadre expects to commit to by the end of 2018.



Illustrative Los Angeles Opportunity Zones

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